

Automobile Purchases by Business and Consumers

As Reflected in the National Accounts

PASSENGER car sales, although somewhat below last year's advanced fourth quarter pace, continued high in the opening months of 1962. After a particularly poor start last year when the cyclical low in general business was reached, car sales improved, especially in the fourth quarter after the introduction of new models. For 1961 as a whole, 6 million units were sold, representing a decline of 10 percent from 1960. The present rate of car buying is about 25 percent, or \$3½ billion, above last year's first quarter low point. Despite this improvement, sales remain at a fairly low level for the postwar period as a proportion of final purchases in the economy.

Private passenger car buying in recent years has averaged only about 4 percent of final purchases (total GNP

less business inventory component), but because they are extremely sensitive to general business conditions and other factors, changes in auto purchases have an important effect on the movement of final purchases. The volatility of auto sales is displayed by the chart on this page.

In about half of the quarters since 1957 auto purchases have moved counter to changes in other final purchases, and in those periods when both have moved in the same direction, autos have often accounted for 20 percent or more of the change in final purchases. In fact, the only quarterly decline of final purchases in the last recession—from the fourth quarter of 1960 to the first quarter of 1961—was accompanied by a sharp falloff in auto sales, and the upturn in the following quarter fea-

tured a strong revival in auto buying.

Because of the importance of auto buying in the movement of GNP and several of its components, this article analyzes the market for automobiles relative to total demand for final products, reviews how auto purchases are allocated between business and consumers, and finally, traces the movement of sales within these markets.

Treatment in GNP

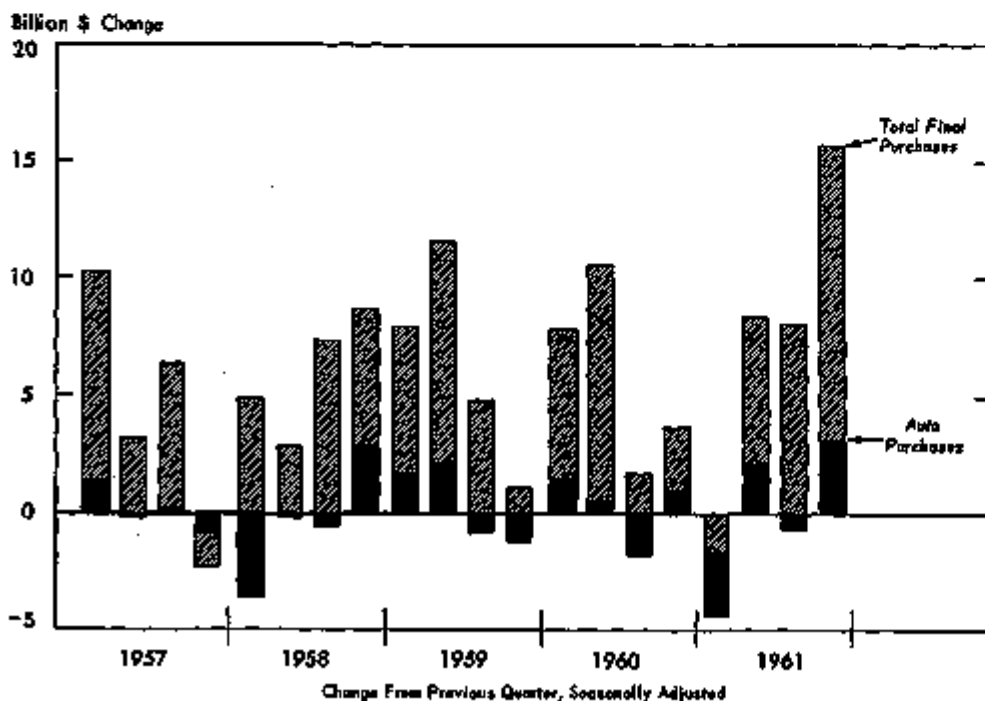
Passenger car purchases, for GNP purposes, would be best measured by net outlays of buyers (the gross value of new and used car purchases less amounts received for trade-ins and other disposals). To convert net outlays to the value of automobile production in total GNP, it would be necessary only to take account of changes in auto dealers' and manufacturers' stocks of cars. This method would also give the correct figures for expenditures, saving, and investment of each purchaser group.

Except for special studies, however, comprehensive data on net outlays are not available. For this reason, total domestic auto purchases are approximated as the value of new car sales plus dealers' gross margin on used car sales.

Allocations among groups of buyers

Data on exports and imports of cars are available and included in the net export component of GNP. Government purchases, which are relatively small, are estimated separately and included in government purchases of goods and services. The remaining domestic purchases (including imports) which are allocated between business and consumers are shown in two of the expenditure categories of GNP. Consumer purchases are shown under personal consumption expenditures, and purchases by business are included in

Auto Buying Important in Accounting for Change in GNP Final Purchases



U.S. Department of Commerce, Office of Business Economics

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producers' durable equipment, a component of gross private domestic investment.

The procedures underlying the business consumer allocations of private auto purchases are described in a short note at the close of this article. Briefly, surveys by the Public Roads Administration, of road-use in terms of mileage for business and consumer purposes have been used as an approximation of the relative net outlays for these purposes in both the pre-World War II and the postwar periods.

Table 1.—Private Auto Expenditures, and Final Purchases of Goods and Services, 1929-61

(Billions of dollars)

	Expenditures for autos			Final purchases of goods and services	Private expenditures for autos as percent of final purchases of goods and services
	Personal consumption	Business	Total		
1929	2,686	1,106	3,792	102,762	3.7
1930	1,042	781	1,823	91,488	2.0
1931	1,144	488	1,632	77,555	2.1
1932	636	271	906	51,022	1.8
1933	770	331	1,101	57,598	1.9
1934	1,024	420	1,444	66,100	2.2
1935	1,506	643	2,149	71,500	3.0
1936	1,921	822	2,743	81,789	3.4
1937	1,968	949	2,917	86,631	3.4
1938	1,228	824	2,052	80,170	2.6
1939	1,079	715	1,794	90,723	2.0
1940	2,217	948	3,165	98,446	3.2
1941	2,705	1,188	3,893	121,327	3.2
1942	415	251	666	157,323	.4
1943	410	263	673	103,500	.6
1944	322	167	489	212,412	.2
1945	379	172	551	214,415	.3
1946	2,322	615	2,937	234,284	1.3
1947	4,908	1,880	6,788	224,751	3.0
1948	5,589	2,437	8,026	254,718	3.1
1949	7,900	2,338	10,238	261,126	4.1
1950	10,493	3,221	13,714	277,784	5.0
1951	9,253	2,640	11,893	312,742	3.8
1952	8,036	2,214	10,250	342,852	3.0
1953	11,184	2,808	13,992	364,528	3.8
1954	11,008	2,383	13,391	364,781	3.7
1955	18,423	3,438	21,861	391,686	5.6
1956	19,089	2,830	21,919	414,526	5.3
1957	14,843	2,022	16,865	441,306	3.8
1958	10,784	2,308	13,092	446,487	3.0
1959	14,683	3,030	17,713	476,639	3.7
1960	15,329	3,302	18,631	500,239	3.7
1961 ¹	14,490	2,802	17,292	519,130	3.3

1. Differs from "new cars and net purchases of used cars" shown in Table II-4 of National Accounts because of exclusion of trailers.
2. Preliminary.

For 1957 and 1958, several special surveys, conducted for the National Income Division, of various groups of purchasers comprising virtually the total domestic market for passenger cars, substantially verified the allocations made from the postwar road-use data. These surveys provided information on net outlays by purchaser group and on purchases charged to business where there was both business and personal use of a car.

It should be noted that while the allocation of passenger car sales is at best rough, inaccuracies do not affect the magnitude of total GNP.

Shifts in automobile demand

Demand for autos has been high but with wide fluctuations during most of the postwar period. In 1950, and again in 1955, private purchases of autos constituted 5 percent of total final purchases of goods and services as compared with 3.6 percent in 1929. In the early post-war period deferred demand undoubtedly was responsible for maintaining the high share of auto output, and in 1955, changes in engineering, styling, and terms of finance served to stimulate demand.

The market for autos has fallen off since 1955, averaging over the last 6 years about the same proportion of final purchases as in 1929. Last year auto buying represented only 3.1 percent of final purchases, one of the lowest proportions since the reconversion period following World War II. However, in the final quarter of the year, with the introduction of the 1962 models, the rise in auto purchases brought the ratio to final purchases to 3.5 percent, a proportion more in line with recent years' experience.

Consumer share rises

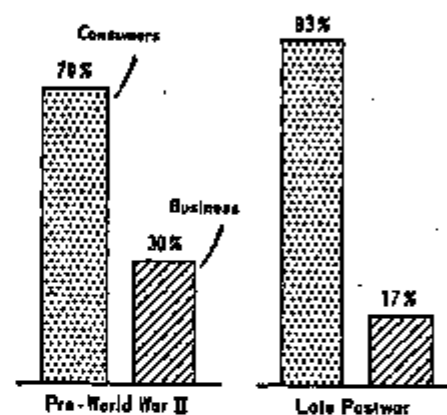
Consumers now account for a larger proportion of car outlays (see chart on page 14). Prior to World War II, 70 percent of expenditures for autos represented consumer outlays. In the postwar period, once new cars were again in plentiful supply, a marked shift in the market for autos took place. High wartime savings, full employment, the move to the suburbs, a high rate of family formation, a shorter work week, and longer vacations have all been factors in spurring consumer demand for autos. With these developments, the consumer share of expenditures for autos rose to about 85 percent by the mid-1950's while business expenditures, although increasing substantially in absolute terms, nevertheless, were approximately halved from prewar proportions.

Business autos large part of equipment outlays

Passenger cars in business use have a fairly short life—they may generally be depreciated in 3 to 5 years, according to Treasury Bulletin F, *Useful Lives and Depreciation Rates*—and their recurrent purchases form a significant part of capital outlays for equipment. As table 3 shows, passenger cars have amounted to about 12 percent of equipment outlays over the postwar period.

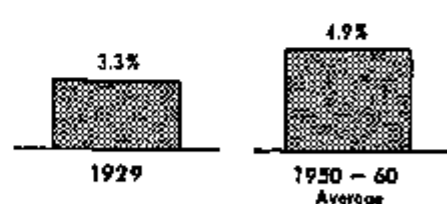
AUTOMOBILE BUYING

Consumer Share of Auto Buying More Important in Postwar Period . . .
Percent of Private Auto Purchases



And Auto Outlays Form a Higher Proportion of Personal Consumption

Percent of Consumer Auto Outlay to Personal Consumption Expenditures



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During most of the years of this period, purchases of passenger cars by businesses have exceeded the total for trucks, trailers, and buses. Only in recent years have outlays for the latter been greater than those for passenger cars. Business investment in all types of road vehicles has accounted for close to one-fourth of all capital outlays for equipment.

The relatively high proportion of business investment for passenger cars may stem from the fact that autos, unlike most other forms of business

capital equipment, can be used for both business and consumer purposes. Some business needs might be met by small trucks if cars could not also be used for consumer purposes. In addition, there may be individuals with business needs who would not purchase cars if it were not possible to charge some of the costs to business expense.

The 1957 and 1958 surveys conducted for OBE indicate that many self-employed persons, and some employees, use their cars partly for business and partly for personal purposes. On the basis of mileage, the total net outlays for passenger cars by the self-employed who have some business use of cars, and by employees who are reimbursed for the use of their cars, are allocated two-thirds to business and one-third to personal use. Only a small proportion of these outlays, it may be noted, represented cars used exclusively for business purposes. The inclusion in business investment of net outlays for cars owned by employees who are reimbursed for their use stems from the fact that the costs for these cars are charged to business expense in much the same manner as for regular business-owned vehicles.

The amounts charged to business for these mixed-use cars and for those used exclusively for business purposes by the above groups account for two-thirds of all business net outlays for cars shown in the national accounts. The remaining one-third of business net outlays are for cars used exclusively for business purposes, and owned largely by corporations and partnerships. In summary, as indicated for 1957-58 by the table on page 17, self-employed persons were responsible for over two-fifths of total business net outlays, the business reimbursed employee for about one-quarter, and the remaining one-third of the business use was accounted for mainly by the outlays of corporate and partnership firms and institutions.

Share of cars in consumer outlays

The increased volume of autos purchased by consumers, together with a larger than average rise in auto prices, have led to the increased importance of car outlays in the consumers' budget. In 1929, auto outlays amounted to 3.3

Table 2.—Personal Consumption Expenditures for Autos and Auto Related Expenditures and Total Expenditures, 1929-61

	Personal consumption expenditures				Percent of consumption expenditures		
	Autos ¹	Auto related expenditures ²	Total auto and auto related expenditures	Total personal consumption expenditures	Autos	Auto related expenditures	Total auto and auto related expenditures
	Millions of dollars						
1929.....	2,588	3,619	6,207	78,952	3.3	4.5	7.7
1930.....	3,412	3,148	6,560	70,968	2.8	4.4	6.7
1931.....	1,144	2,684	3,828	61,533	1.9	4.4	6.2
1932.....	936	2,353	3,289	49,500	1.8	4.8	6.1
1933.....	779	2,322	3,101	40,892	1.7	5.0	6.4
1934.....	1,024	2,626	3,650	51,894	2.0	5.1	7.0
1935.....	1,508	2,802	4,310	50,289	2.7	5.0	7.7
1936.....	1,921	3,172	5,093	62,610	3.1	5.1	8.1
1937.....	1,968	3,467	5,435	67,250	3.0	5.2	8.1
1938.....	1,228	4,358	5,586	64,041	1.9	6.7	7.1
1939.....	1,679	4,664	6,343	67,578	2.5	6.9	7.6
1940.....	2,217	3,857	6,074	71,884	3.1	5.4	8.6
1941.....	2,706	4,406	7,112	81,876	3.3	5.0	8.0
1942.....	416	3,233	3,649	89,748	.4	3.7	4.1
1943.....	410	2,464	2,874	100,541	.4	2.5	2.9
1944.....	322	2,764	3,086	108,863	.3	2.5	2.8
1945.....	319	2,667	2,986	121,060	.3	2.0	2.3
1946.....	2,322	6,844	9,166	147,100	1.7	4.5	6.2
1947.....	4,406	7,880	12,287	165,420	2.8	4.8	7.6
1948.....	6,609	8,174	14,783	178,313	3.1	5.1	8.2
1949.....	7,890	10,140	18,030	183,158	4.4	5.0	10.0
1950.....	10,693	11,609	22,302	195,018	5.4	6.0	11.4
1951.....	9,293	12,682	21,975	200,808	4.4	6.3	10.5
1952.....	8,026	13,802	21,828	218,774	3.9	6.3	10.3
1953.....	11,083	15,645	26,728	232,040	5.0	6.7	11.7
1954.....	11,090	16,030	27,120	238,825	4.7	6.7	11.4
1955.....	14,448	17,889	32,337	240,940	6.0	7.0	13.0
1956.....	12,882	19,080	31,962	260,817	5.0	7.1	11.9
1957.....	14,043	20,525	34,568	284,184	4.9	7.3	12.1
1958.....	16,084	20,707	36,791	283,198	5.7	7.1	10.8
1959.....	14,082	22,312	36,394	312,900	4.7	7.1	11.6
1960.....	15,258	23,019	38,277	328,920	4.6	7.2	11.8
1961 ³	15,490	24,071	39,561	330,824	4.6	7.1	11.1

1. Differs from new cars and purchases of used cars in Table II-4 of National Accounts because of exclusion of trailers.
2. For groups included see Table 4.
3. Preliminary.

Table 3.—Business Expenditure for Autos, Trucks, Tractors and Trailers, and Total Producers' Durable Equipment, 1929-61

	Business expenditures				Percent of producers' durable equipment		
	Autos	Trucks, tractors and trailers	Total autos, trucks, tractors, and trailers	Total producers' durable equipment	Autos	Trucks, tractors and trailers	Total autos, trucks, tractors, and trailers
	Millions of dollars						
1929.....	1,166	500	1,666	5,880	18.9	10.1	29.0
1930.....	701	423	1,124	4,406	18.7	9.5	26.2
1931.....	486	201	779	2,820	17.2	10.2	27.4
1932.....	371	185	556	1,003	17.0	9.7	26.7
1933.....	331	169	500	1,080	20.8	11.7	32.5
1934.....	436	307	743	2,304	18.9	13.3	32.2
1935.....	642	388	1,031	3,000	21.0	12.7	33.5
1936.....	822	608	1,430	4,100	19.7	12.2	31.0
1937.....	849	623	1,472	4,000	18.7	10.3	29.0
1938.....	534	300	834	3,644	14.4	9.6	24.3
1939.....	715	480	1,195	4,180	17.1	11.7	28.8
1940.....	948	582	1,530	5,531	17.1	10.2	27.3
1941.....	1,158	737	1,895	6,942	16.7	10.0	27.2
1942.....	251	128	379	1,343	5.8	2.0	3.7
1943.....	253	140	393	1,627	6.3	3.5	9.8
1944.....	197	343	540	1,688	3.1	6.3	9.4
1945.....	172	901	1,073	7,694	2.2	11.5	14.0
1946.....	905	1,276	2,181	10,733	9.8	12.6	25.1
1947.....	1,569	2,263	3,832	16,667	11.3	13.7	28.0
1948.....	2,167	2,682	4,849	18,823	11.5	13.7	25.1
1949.....	2,535	2,183	4,718	17,736	10.5	12.2	23.7
1950.....	3,221	3,051	6,272	18,940	17.0	14.0	31.0
1951.....	3,409	3,180	6,589	21,290	12.5	15.0	27.5
1952.....	3,314	3,414	6,728	21,261	10.9	17.4	22.0
1953.....	2,406	2,314	4,720	22,365	12.0	10.4	22.0
1954.....	2,383	2,032	4,415	20,789	11.5	9.8	21.3
1955.....	2,439	2,083	4,522	23,119	14.9	12.9	27.6
1956.....	2,839	2,161	5,000	27,184	10.4	11.6	22.0
1957.....	3,422	2,000	5,422	28,487	10.0	10.4	21.0
1958.....	3,308	2,589	5,897	29,168	10.0	11.3	21.3
1959.....	3,456	2,403	5,859	29,912	11.7	10.4	21.1
1960.....	3,262	3,310	6,572	27,322	11.0	12.0	23.7
1961 ³	2,481	3,303	5,784	26,734	11.1	12.8	24.0

1. Preliminary.

percent of personal consumption expenditures; during the early 1950's this had risen to about 5 percent. The ratio has declined somewhat since that time, and was 4 percent last year, one of the lowest proportions of the postwar period.

Upgrading continues until 1957

The importance of car outlays in consumers' budgets has also been influenced in the postwar period by changes in the types of cars purchased. Beginning with the first important postwar model changeover, that of the 1949 cars, there was for a long period a considerable upgrading in car purchases. This is evident from the increasing proportion of cars equipped with extra priced equipment such as eight-cylinder engines, automatic transmissions, power steering and brakes, and air conditioners. A measure of this upgrading, along with other general quality improvements, can be obtained from the comparison of the number of cars purchased with the constant dollar GNP expenditure series for auto purchases. In the constant dollar measure a shift from a product of lower grade to one of higher grade—relative grade being measured by relative price—is

reflected as an increase in output. An opposite shift in grade would have the opposite effect. Since the auto price index of the Bureau of Labor Statistics used to obtain the constant dollar series allows for specification changes, and insofar as possible, for quality improvements, the constant dollar series also reflects these which are not unlike grade changes.

As the chart on page 17 shows, there was almost a 10 percent upgrading in auto purchases from 1949 to 1957. Since 1957, this movement has been completely reversed, initially under the impact of the small foreign imports which increased in sales—from 200,000 in 1957 to 600,000 in 1959. More recently the grade of car purchases has been also affected by the introduction of the compact domestic car. It is interesting to note that all of the U.S. car makes which have been discontinued since the peak in upgrading occurred have been in the medium and upper price brackets.

Mixed-use cars small part of consumer outlays

Unlike the situation in respect to business net outlays, where mixed-use cars formed the larger part of the

business total, the vast bulk of consumer cars are bought only for personal use. The amount of consumer net outlay in 1957 and 1958 stemming from mixed-use cars amounted only to about 7 percent. Self-employed persons contributed about three-fourths of this, and employees who are reimbursed by businesses for the use of their cars accounted for the remainder.

Auto-related expenditure

In addition to the \$14 billion spent for new cars and net purchases of used cars last year, consumers spent another \$24 billion to keep these cars in operation. These other auto-related expenditures cover the purchase of accessories and parts, operating supplies and services. As in the case of autos, these expenditures are not reported separately for business and consumers, and the same consumer allocation factors are applied to obtain the consumer portion. During most of the postwar period auto-related expenditures have been half again as large as auto purchases. Together auto and auto-related expenditures represent about one-eighth of total personal consumption expenditures.

In contrast to auto purchases—which are extremely volatile—auto-related consumption expenditures, are dependent for the most part on the growth in the stock of vehicles held by consumers and on their use. Such expenditures are an expanding, but fairly stable element of consumption. As table 4 shows, the total of these items has continued to rise without interruption since the end of the war.

Gasoline biggest cost

Purchases of gasoline and oil account by far for the largest part—50 percent—of auto-related expenditures. Such service items as repairs, greasing, washing, etc., are the next largest component of this total, representing about 20 percent. Purchases of tires and tubes, accessories and parts, and auto insurance have in recent years, been of approximately equal magnitude and together account for an additional 20 percent of these expenditures.

Interest on auto debt, which repre-

Table 4.—Auto Related Personal Consumption Expenditures, 1929-61

	Total auto related expenditures	Gasoline and oil	Repairs, greasing and washing	Tires, tubes, accessories and parts	Insurance	Interest	Tota
1929	3,510	1,814	770	648	94	147	40
1930	3,148	1,740	624	525	81	128	43
1931	2,680	1,440	500	485	70	80	45
1932	2,558	1,370	385	314	82	53	43
1933	2,552	1,406	362	250	70	40	42
1934	2,734	1,840	445	340	80	64	43
1935	2,532	1,714	427	345	80	64	42
1936	2,172	1,144	420	462	124	90	44
1937	2,157	1,142	443	423	127	107	44
1938	2,369	1,174	417	395	134	131	41
1939	2,694	1,181	590	494	142	146	46
1940	2,857	2,273	547	630	166	262	50
1941	4,508	2,649	772	678	173	274	58
1942	3,283	2,000	504	305	134	117	43
1943	2,484	1,339	588	365	135	31	31
1944	2,754	1,384	605	449	180	31	35
1945	2,607	1,809	667	652	175	22	42
1946	4,044	3,034	1,717	1,492	260	76	65
1947	7,889	3,030	1,976	1,674	361	100	69
1948	9,174	4,435	2,205	1,660	422	257	70
1949	10,146	5,003	2,304	1,684	564	446	85
1950	11,000	5,375	2,407	2,223	739	687	94
1951	12,082	6,040	2,836	2,100	823	773	107
1952	12,862	6,706	2,904	2,161	1,045	858	132
1953	13,048	7,847	3,330	2,206	1,274	1,120	144
1954	16,030	8,007	3,418	2,207	1,225	1,206	153
1955	17,890	9,770	3,081	2,454	1,242	1,500	162
1956	19,080	9,558	3,801	2,368	1,368	1,789	180
1957	20,525	10,360	4,089	2,532	1,428	1,892	214
1958	20,707	10,465	4,235	2,464	1,494	1,881	228
1959	22,312	10,808	4,067	2,814	1,658	1,939	270
1960	23,640	11,613	5,031	2,832	1,696	2,171	303
1961	24,071	11,761	5,300	2,765	1,730	2,208	325

1. Preliminary.

sented only a very small portion of auto-related outlays in the immediate postwar period, has expanded sharply and now represents about 10 percent of the total. This development is, of course, associated with the growth in borrowing relative to auto purchases, and also to a lengthening in the average term of auto-installment loans.

Role of the compact car

The U.S. compact car has already had a pronounced effect on the market for automobiles. In 1961, every third car sold was a compact. Because of their lower prices, the compacts in 1961 were responsible for passenger car outlays being \$1½ billion less than they would have been had the same number of standard cars been sold. Along with the lower purchase price of the compact, there is an attendant saving in operation expense. It uses less gasoline, insurance costs are lower,

and maintenance costs are somewhat reduced. As a result, auto-related consumption expenditures have also been affected by this development, but to a minor extent, because the number of compact cars in the total stock of passenger cars is still small.

Procedural Note

In the absence of not outlay data, the estimate of total domestic private passenger car expenditures is made by multiplying data on number of new cars sold to domestic consumers and business by an average retail price and by adding an estimate of the gross proceeds on used car sales. The distribution of not outlays between consumers and business is approximated from mileage data.

Data on passenger car use were collected in the course of road-use surveys begun in 1961 and carried out extensively in 1961-62, by the Federal Public Roads Administration (now the Bureau of Public Roads) and the several States. The results of this inquiry were summarized for all States in 1962.

The definition of business use in this survey was very broad. Largely because of the looseness of the definition, which may have encompassed some driving to and from work as well as to and from school, and other nonbusiness trips, the business use, which was found to constitute 35 percent in the survey was reduced to 17 percent for the allocation of passenger car purchases.

This allocation was applied uniformly from 1950 until the limitation of car sales in World War II, and was retained after the war years until information from the new road-use surveys clearly indicated a changed postwar pattern of car use. Allocations of the restricted sales of the war years were derived from data of a sales control program.

The postwar series of surveys of the Bureau of Public Roads and the States, begun in 1961, and conducted in all cases by the Bureau of the Census, had by the time of our 1961 benchmark revision yielded information for 17 States. (Additional State surveys completed subsequent to our work on the 1961 benchmark do not modify the national estimates appreciably). The data for the 17 States in 1961-62, and the prior period are shown in table 6, together with the national data from the earlier survey.

In the current survey series the definition of business use was quite precise, though the business classification includes the business use of employees who may not be reimbursed. The exclusion of such business use would of course, lower the national estimate of 17 percent, but in the absence of pertinent information no reduction was made.

In the light of the lower business use indicated by the new postwar surveys, it was evident that the 30 percent allocation so long continued should be reduced, and this was done by 2 percent annually in 1949-54. The allocations of 1949 and 1947 were left undisturbed at 30 percent to the belief that business purchases had been stimulated in those years by cumulative wartime shortages. Imported passenger cars which were numerically unimportant in the initial years of the second series of surveys, but which were assuming more importance as time progressed were assigned entirely to consumers, making the composite business proportion for domestic and imported cars since 1963 about 17 percent.

Because of the significant shift in auto purchases implied by the mileage data, it was deemed imperative to test the allocations so derived by obtaining data directly on expenditures, and several surveys to obtain not outlays (purchased less trade-in and other sales) by business and consumers in 1967 and 1968 were undertaken.

These surveys, which were designed to cover all private car purchases, consisted of four elements: (a) The Survey of Consumer Finances of the Federal Reserve Board in 1968 and 1969 (1967 and 1968 survey years) added certain questions in order to measure the business outlays for cars bought by all spending units; (b) Not outlay inquiries for the same years were

added to the Fleet and Equipment Survey of the Securities and Exchange Commission and Office of Business Economics; (c) A similar inquiry was incorporated by the Bureau of the Census in its 1968 census of the automobile rental and leasing business; (d) Finally, supplementary estimates were pro-

Table 5.—Proportion of Passenger Car Mileage for Business Purposes

	Business percent
1935-37 surveys	
Total travel (in and outside State of registration) 48 States and D.C.	35
Travel in State of registration 48 States and D.C.	36
17 States 1	35
1951-54 surveys	
Total travel (in and outside State of registration) 17 States 1	19
48 States and D.C. (estimate) 2	17

1. Estimate of Automobile Travel by Purpose—1961, Public Roads Administration, Federal Works Agency, October 1962.

2. Estimate of Total Travel by Motor Vehicles in the United States for 1951, Public Roads Administration, Federal Works Agency, March 1952. Travel outside the State of registration in this table is not broken down by purpose.

3. The same States as in the 1951-54 surveys.

4. Travel by Passenger Cars Classified by Occupation of Principal Operator and by Major Purpose of Travel for 17 States, Bureau of Public Roads, U.S. Department of Commerce, July 1957 (unpublished). Additional State surveys have been completed subsequently.

5. Estimated from unrounded data by reducing the 17-State proportion from 1951-54 data in the ratio of the proportion for 48 States and D.C. to the 17-State proportion from the 1935-37 data.

Table 6.—Business and Consumer Net Outlays for Cars

(Millions of dollars)

	1957	1958	1967-68 (est.)
CONSUMER NET OUTLAYS			
Consumer share of mixed business-consumer use cars			
Reimbursed employees	248	233	481
Self-employed persons	684	699	1,220
Consumer cars	12,238	11,674	23,914
Total consumer net outlays	11,167	12,478	25,845
BUSINESS NET OUTLAYS			
Reimbursed employees	544	563	1,097
Self-employed persons	1,105	928	2,028
Business firms and non-profit institutions	784	783	1,337
Total business net outlays	2,433	2,274	4,462
Total consumer and business net outlays	13,600	14,752	30,307
Percent business	18.0	15.2	14.7
NATIONAL INCOME DIVISION			
Consumer and business total 1	17,065	12,292	30,387
Percent business	17.7	17.4	17.0

1. New cars and net purchases of used cars, excluding housing-type trailers.

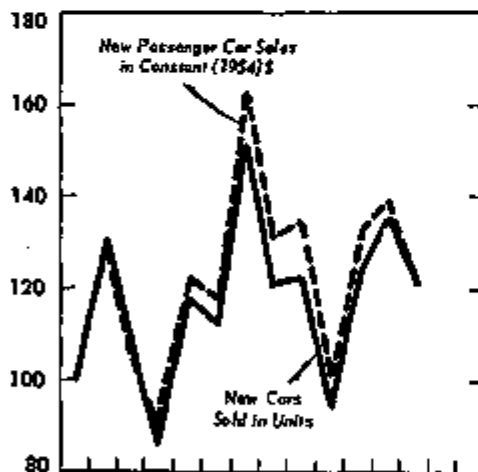
pared for small areas not covered in the other surveys. The discussion will take up these elements in order.

The Federal Reserve Board's Survey of Consumer Finances, in addition to the usual car inquiries, asked concerning each car bought in the survey year and still owned in the household at the time of the survey whether it was used in work, other than driving to work and back, in order to identify

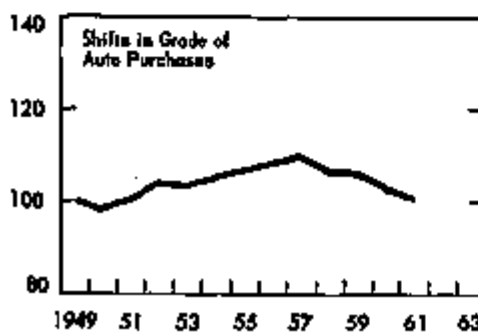
(Continued on p. 24)

Shifts to Higher Unit Value Cars Was the Trend Until 1957, Thereafter Lower Unit Cars Were Favored

1949=100



Ratio of New Car Purchases in Constant Dollars to Unit Sales



U.S. Department of Commerce, Office of Business Economics

42-3-15

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with Western Europe was in part in transactions on goods and services, in part also in private capital movements.

For 1961 as a whole, Europe seems

to have received over \$3 billion from other than recorded transactions with the United States, compared with about \$2 billion in 1960.

Table 4.—U.S. Short-Term Private Capital, 1960 and 1961, by Country and Type
(Millions of dollars)

	Amount outstanding, year end			1960				1961			
				Changes ² , quarterly (decreases (-))							
	1959	1960	1961	I	II	III	IV	I	II	III	IV
Total reported by U.S. banks	2,525	3,594	4,447	105	37	417	422	356	159	5	453
Major financial centers, total.....	446	572	1,143	-24	119	186	85	51	34	-47	130
United Kingdom.....	121	245	181	-9	60	83	-10	-78	-2	20	-4
EEC and Switzerland.....	272	204	420	-48	24	5	62	61	12	-44	63
Canada.....	272	921	542	-20	25	97	62	68	26	-23	51
By type:											
Commercial and financial claims payable in dollars.....	488	506	570	-74	40	63	40	19	70	-5	15
Foreign currency deposits and claims.....	178	465	473	-10	70	123	45	34	-41	-41	116
Other countries, total.....	1,822	2,622	3,824	189	-82	333	347	262	124	62	428
Japan.....	321	805	1,445	90	77	143	140	203	203	18	187
Latin American Republics.....	1,147	1,228	1,454	85	-100	38	202	24	-128	74	187
Others.....	461	489	925	8	-9	52	-1	15	50	-38	100
By type:											
Commercial and financial claims payable in dollars.....	1,019	2,580	3,466	188	-85	195	352	317	125	47	398
Foreign currency deposits and claims.....	13	54	68	1	3	37	-5	-15	-1	52	26
Total reported by non-financial concerns	730	1,131	1,475	-15	122	14	186	109	51	46	na
Major financial centers.....	288	514	603	-2	111	63	121	120	55	-28	na
United Kingdom.....	59	272	176	20	74	16	107	0	-54	-57	na
EEC and Switzerland.....	134	155	503	-40	2	-3	19	10	46	-20	na
Canada.....	101	187	408	-12	35	41	-3	110	84	15	na
Claims payable in dollars.....	220	306	408	-18	40	63	64	75	190	-16	na
Foreign currency deposits and claims.....	68	216	204	10	61	-2	67	51	-25	-13	na
Other countries, total.....	442	517	612	-15	21	11	35	-37	4	78	na
Claims payable in dollars.....	387	403	531	-10	19	11	30	-10	-8	65	na
Foreign currency deposits and claims.....	55	55	81	-3	-8	5	-1	4	20	na

na Not available.

1. Excludes Exchange Stabilization Fund holdings.

2. Changes adjusted for variations in coverage.

3. Excludes \$270 million held pending direct investment.

4. As of Sept. 30.

Automobile Purchases

(Continued from p. 17)

those purchases to involve business use. Then, as a basis for allocating each such purchase, the proportion of total mileage that was for business purposes was requested. Foreign purchases involving business use, moreover, it was asked whether or not any of the expenses of the car were met out of business funds or covered by a mileage or car allowance; this information made it possible to rule out uninhabited employees from the business portion. If a car was traded or sold in connection with the purchase recorded in the survey year, it was ascertained further in what year the traded or sold car had been bought, and what make and year model; those purchased in the survey year were also taken into account. Finally, any other car disposed of—sold, given away, or scrapped—during the survey year was reported, with its make, year model, and the amount realized, if any, from its disposal, and included in the estimates.

The *Plant and Equipment Survey* of the Securities and Exchange Commission and the Office of Business Economics was expanded to include a net outlay inquiry for 1957 and again for 1958 in order to obtain information on car expenditures by business firms. There may be a very limited amount of duplication between the FID Survey and the

SEC-OBE Survey in respect to cars of sole proprietorship business firms registered in the proprietor names. Automobile rental and leasing companies were eliminated from the returns of the SEC-OBE Survey, because it was deemed desirable to cover the car mileage of this rapidly growing industry by data obtained in the Business Census of 1958; the necessary inquiries on the numbers and values of cars purchased, traded, and sold were included by the Bureau of the Census, and sample data from this inquiry form the basis for the estimate for this industry.

In order to round out the coverage where that by the *Plant and Equipment Survey* was considered meager or lacking, estimates were developed for the finance, insurance, and real estate industries. Data on car purchases in these industries from the Life of Depreciable Assets tabulations of the Internal Revenue Service for 1959, were raised by depreciation to the total industry level and carried back to 1957 and 1958 on the basis of depreciation data. Estimates for nonprofit institutions were developed by relating depreciation to car purchases in the finance, insurance, and real estate industries. Table 6 presents the results of the survey together with these supplemental estimates.

It may be noted that while the net outlay sources and the National Income Division estimates differ as to the total car expenditures in each year, the totals are almost exactly the same for the 3 years together. The business proportion in both estimates is very close.

State and Local Government Outlays

(Continued from p. 15)

grants finance more than a quarter of all local government expenditures.

Investment outlays spur borrowing

Notwithstanding the increases in taxes, intergovernmental payments, and other receipts—social insurance contributions and current surplus from governmental commercial enterprises—State and local governments are steadily incurring deficits and their debt has been increasing. Most of this borrowing is for investment outlays for construction and equipment, which are in large measure debt-financed. School construction, and to a lesser extent, water and sewer systems, and road and bridge construction, have loomed largest in these borrowing programs.

Total debt increased by \$5 billion in 1961 as it had in each of the preceding several years. The amount of debt outstanding at midyear was \$72½ billion—about three-fourths of which represented local government obligations. In appraising the change in indebtedness, it may be noted that although the proportion of outstanding State and local government debt to GNP has risen steadily over the post-war years, it is still well below the ratios observed for the pre-World War II period.

The deficit shown in the accompanying tables is not equivalent to the change in outstanding debt mainly because the receipts and expenditures on income and product account include the pension and other trust fund transactions, and exclude changes in financial assets and land transactions. Pension fund surpluses are largely responsible for the overall surplus on income and product account that is shown for State governments.